

Message Text

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ORIGIN EB-07

INFO OCT-01 ISO-00 ARA-06 SP-02 AID-05 NSC-05 RSC-01

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 TAR-01 L-02 H-01 PA-01 USIA-06 PRS-01 AGR-05

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TREAS:JWALLER

ARA/BR:JSLATTERY

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P 232204Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

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C O R R E C T E D C O P Y (OMISSION LINE 6, PARA 2 AND
LINE 1, SUB-PARA 4)

E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTY COMPLAINT: LEATHER HANDBAGS

REF: STATE 004738

1. TREASURY OFFICIALS WILL MEET WITH REPRESENTATIVES OF
BRAZILIAN EMBASSY IN WASHINGTON FRIDAY, JANUARY 24 TO
INFORM THEM OF DETAILS OF COUNTERVAILING DUTY COMPLAINT
ON LEATHER HANDBAGS, AND TO DELIVER A LETTER ASKING FOR
INFORMATION RELATIVE TO ALLEGATIONS MADE BY COMPLAINANT.

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2. LETTER STATES THAT TREASURY RECEIVED A PETITION FROM NATIONAL HANDBAG ASSOCIATION IN NEW YORK ALLEGING PAYMENT OF BOUNTIES OR GRANTS TO PRODUCERS OF LEATHER HANDBAGS, PUBLISHED THE COMPLAINT UNDER PROVISIONS OF THE 1974 TRADE ACT, AND MUST REACH TENTATIVE DETERMINATION AS TO THE VALIDITY OF ALLEGATIONS BY JULY 4, 1975. A QUESTIONNAIRE IS INCLUDED WHICH ASKS THAT INFORMATION BE PROVIDED REGARDING THE FOLLOWING: BEGIN TEXT.

1. EXEMPTION FROM THE INDUSTRIAL PRODUCTS TAX (IPI), AND THE GOODS CIRCULATION TAX (ICM) AND IMPORT TARIFFS - EXEMPTIONS FROM THE IPI, AND ICM TAXES AND IMPORT TARIFFS DESIGNED TO INCREASE EXPORT CAPACITY ARE GIVEN TO IMPORTERS OF MACHINERY AND RAW MATERIALS BASED UPON THE MANUFACTURER'S ANNUAL INCREASE IN EXPORTS (ACT NOS. 1.189 AND 1.137, AND DECREES NO. 68.904 AND 1.219). (A) HOW DOES THIS SYSTEM OPERATE AND TO WHAT EXTENT DID THE LEATHER HANDBAG MANUFACTURERS TAKE ADVANTAGE OF ITS PROVISIONS? (B) DOES THE EXEMPTION FROM IMPORT TARIFFS DIFFER FROM NORMAL CUSTOMS DRAWBACK PROCEDURES? (C) DATA REQUIRED: IPI, ICM AND IMPORT TARIFF RATES AND AMOUNT OF MERCHANDISE EXEMPT.

2. IPI AND ICM CREDITS - IPI AND ICM TAX CREDITS ARE GIVEN UPON EXPORTATION IN ADDITION TO THE NORMAL EXEMPTION FROM THESE DOMESTIC INDIRECT TAXES. (A) WHAT ARE THE AMOUNTS OF CREDITS GIVEN LEATHER HANDBAG EXPORTS AND TO WHAT EXTENT ARE THESE CREDITS UTILIZED BY THE MANUFACTURER/EXPORTER? (B) CAN THE UNUTILIZED CREDITS BE EXCHANGED FOR MONEY UNDER DECREE GB 248? (C) ARE THE CREDITS TRANSFERRED TO FIRMS, RELATED OR UNRELATED, WHICH DO BUSINESS WITH THE LEATHER HANDBAG MANUFACTURER OR CAN THEY BE TRANSFERRED TO OTHER FIRMS VIA A THIRD PARTY BROKER? IF THEY CANNOT, PLEASE EXPLAIN HOW GOB PREVENTS THE TRANSFER AND UTILIZATION OF CREDITS. (D) DATA TO PERFORM THE CALCULATIONS FOR THIS SECTION CAN BE PREPARED IN A SIMILAR FASHION AS IN THE NON-RUBBER FOOTWEAR CASE: TOTAL RECEIPTS OF AN ENTERPRISE, TOTAL RECEIPTS FOR EXPORTATION, AMOUNT OF IPI AND ICM CREDITS GENERATED AS A RESULT OF EXPORTATION, THE DIFFERENCE LIMITED OFFICIAL USE

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BETWEEN THE RESPECTIVE CREDITS ACCUMULATED AT THE END OF A PERIOD AND AT THE BEGINNING (TAX YEAR PERIOD). SUPPORTING DOCUMENTATION ON A REPRESENTATIVE BASIS TO ILLUSTRATE HOW THE ABOVE DATA WAS CALCULATED WOULD BE APPRECIATED.

3. INCOME TAX EXEMPTION - AN EXEMPTION FROM THE CORPORATE INCOME TAX ON PROFITS IS GIVEN BASED UPON

EXPORTS AS A PERCENTAGE OF TOTAL SALES, EXCLUSIVE OF IPI AND ICM CREDITS. (A) WHAT IS THE CURRENT CORPORATE TAX ON PROFITS? (B) DATA REQUIRED: TAXABLE PROFITS, TOTAL RECEIPTS AND TOTAL EXPORT RECEIPTS, EXCLUSIVE OF IPI AND ICM CREDITS.

4. OTHER TAX EXEMPTIONS - OVERSEAS EXPORT PROMOTION COSTS ARE TAX-EXEMPT AND, TO A DEGREE, EXPORTERS ARE EXEMPT FROM TAXES ON WAREHOUSING. (A) HOW DO THESE EXEMPTIONS OPERATE AND TO WHAT EXTENT ARE THEY TAKEN ADVANTAGE OF BY LEATHER HANDBAG EXPORTERS? (B) ARE EXPENSES OF THIS NATURE GENERALLY PERMITTED AS TAX DEDUCTIBLE FOR A DOMESTIC INDUSTRY, I.E. AS A BUSINESS EXPENSE? IF SO, ARE THERE INCREASED BENEFITS FOR EXPORT-FIRMS? (C) DATA REQUIRED: OVERSEAS EXPORT PROMOTION COSTS, RATE OF TAX EXEMPTION FROM SUCH COSTS, WAREHOUSING COSTS, TAXES ON WAREHOUSING COSTS AND RATE OF TAX EXEMPTION ON SUCH COSTS.

5. PREFERENTIAL FINANCING - RESOLUTION 71 OF THE CENTRAL BANK OF BRAZIL PERMITS LOANS TO BE MADE TO EXPORTERS AT PREFERENTIAL INTEREST RATES. (A) WHAT IS THE COMMERCIALLY AVAILABLE RATE OF INTEREST IN BRAZIL? (EXPLAIN WHERE THE FIGURE GIVEN WAS DERIVED, I.E. DISCOUNT RATE.) (B) DATA REQUIRED: INTEREST RATE UNDER

PREFERENTIAL SYSTEM, TERMS OF LOAN, AMOUNTS OF LOANS.

6. TRADING COMPANY TAX EXEMPTIONS - TRADING COMPANIES ARE PERMITTED AN INCOME TAX DEDUCTION OF EQUAL VALUE TO THE DIFFERENCE BETWEEN THE PRICE PAID TO THE BRAZILIAN MANUFACTURER AND THE F.O.B. VALUE. (A) DO THE MANUFACTURERS HAVE LIMITED OFFICIAL USE

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FACTURERS OF LEATHER HANDBAGS ACT AS THE EXPORTER OR DO THEY DEAL THROUGH A TRADING COMPANY? (B) IF A TRADING COMPANY IS INVOLVED, WHAT TAX BENEFITS ACCRUE TO THE MANUFACTURER WHICH SELLS TO THE TRADING COMPANY FOR EXPORT? DOES THE TRADING COMPANY RECEIVE ALL OTHER BENEFITS AVAILABLE TO EXPORTERS? (C) DATA REQUIRED OF TRADING COMPANIES INVOLVED: EXPENDITURES FOR PURCHASE OF LEATHER HANDBAGS, RECEIPTS FOR EXPORT, TAXABLE PROFIT, RATE OF TAX EXEMPTION . END TEXT.

3. LETTER ASKS FOR REPLY WITHIN 30 DAYS AND STATES QTE: AS THE QUESTIONNAIRE INDICATES AN ATTEMPT SHOULD BE MADE TO QUANTIFY THE AMOUNTS OF ANY BENEFITS BESTOWED OR RECEIVED AS A RESULT OF THE EXISTENCE OF EACH OF THE LISTED PROGRAMS OR PRACTICES. IF THE BENEFITS VARY

FROM FIRM TO FIRM, INFORMATION WITH REGARD TO THE BENEFITS RECEIVED BY EACH FIRM WOULD BE APPRECIATED WITH DATA REFLECTING THE QUANTITY AND VALUE OF TOTAL SALES, TOTAL EXPORTS, AND EXPORTS TO THE U.S. OF THE RESPECTIVE FIRMS. IF SUCH INFORMATION CONTAINS BUSINESS CONFIDENTIAL DATA IT SHOULD BE PROPERLY MARKED AS SUCH AND WILL BE HANDLED IN CONFIDENCE. ADDITIONALLY, GENERAL DATA ON TOTAL SALES, TOTAL EXPORTS, AND EXPORTS TO THE UNITED STATES IN TERMS OF QUANTITY AND VALUE OF LEATHER HANDBAGS WOULD BE OF ASSISTANCE IN OUR INQUIRY. END QUOTE.

4. REQUEST FOR DATA ON THE PROGRAMS LISTED IN THE QUESTIONNAIRE DOES NOT IMPLY THAT REASURY HAS REACHED CONCLUSION AS TO WHETHER THE PROGRAMS CONSTITUTE A BOUNTY OR GRANT WITHIN MEANING OF U.S. LAW. EMBASSY MAY NOTE, HOWEVER, THAT THREE PROGRAMS (PREFERENTIAL FINANCING, INCOME TAX EXEMPTIONS AND IPI AND ICM CREDITS) WERE SUBJECT TO COUNTERVAILING DUTY ORDER IN FOOTWEAR CASE.

5. ABOVE FOR EMBASSY USE IN DISCUSSION WITH BRAZILIAN OFFICIALS AS THOUGHT APPROPRIATE. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 23 JAN 1975
Decaption Date: 01 JAN 1960
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Disposition Authority: GolinoFR
Disposition Case Number: n/a
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Margaret P. Grafeld
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To: BRASILIA
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